

Message Text

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PAGE 01 PARIS 31235 061752Z

72

ACTION EUR-25

INFO OCT-01 ISO-00 SPC-03 AID-20 EB-11 NSC-10 RSC-01

CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 DODE-00 PM-07 H-03 L-03 PA-04 PRS-01 USIA-15

ACDA-19 IO-14 FPC-01 INT-08 SCEM-02 DRC-01 /220 W

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R 061618Z DEC 73

FM AMEMBASSY PARIS

TO SECSTATE WASHDC 5273

INFO USMISSION EC BRUSSELS

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PASS TREASURY AND FEDERAL RESERVE

E.O. 11652:N/A

TAGS: EFIN, FR

SUBJECT: NEW ECONOMIC MEASURES

1. SUMMARY. FINANCE MINISTER GISCARD D'ESTAING PRESENTED NEW ECONOMIC PACKAGE AT PRESS CONFERENCE DECEMBER 5. GENERAL STRIKE DECEMBER 6 HAS PREVENTED FRENCH NEWSPAPER COVERAGE. THE NEW PACKAGE HAS FOUR STATED GOALS:

- MODERATE DEMAND IN THE FIRST HALF OF 1974 BY SWITCHING DEMAND FROM FIRST HALF TO SECOND HALF.
- MOVE TO MAKE MORE GOODS AVAILABLE.
- ALLOW ECONOMY TO RESPOND TO THE ENERGY SHORTAGE.
- SLOW THE RISE IN PRICES.

THE LIST OF MEASURES (BELOW) IS LONG BUT THE OVERALL DEFLATIONARY EFFECT WILL BE SLIGHT. THE PRESENT PRICE CONTROL SYSTEM IS MAINTAINED. NO WAGE CONTROLS ANNOUNCED. END SUMMARY.

UNCLASSIFIED

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PAGE 02 PARIS 31235 061752Z

2. THE PAYMENT OF PERSONAL INCOME TAX WILL BE ADVANCED. THE

INITIAL PAYMENTS REQUIRED IN 1974 WILL BE INCREASED AND SUCCEEDING PAYMENTS WILL BE REDUCED. MEASURE DOES NOT APPLY TO THOSE WHO NOW HAVE TAXES WITHHELD MONTHLY OR PAID LESS THAN 2,000 FRANCS INCOME TAX IN 1973. ESTIMATED ADDITIONAL ADVANCE PAYMENTS; 2 BILLION FRANCS.

3. CORPORATE INCOME TAX PAYMENTS ALSO ADVANCED. ADDITIONAL EARLY REVENUE, 2.3 BILLION FRANCS.

4. GOVERNMENT WILL CUT 1974 EXPENDITURES BY 400 MILLION FRANCS.

5. CERTAIN PUBLIC WORKS OUTLAYS WILL BE DELAYED UNTIL THE 2ND HALF OF 1974, ALONG WITH THOSE OF PUBLIC ENTERPRISES AND LOCAL AUTHORITIES.

6. BANK LOAN RESTRICTIONS WILL CONTINUE TO TIGHTEN. ALLOWED INCREASE IN LOANS OUTSTANDING OVER ONE YEAR EARLIER SET AT 12 PERCENT FOR JANUARY AND 11 PERCENT FOR FEBRUARY AND MARCH.

7. THE FIRST HALF OF 1973 LOANS OF SEVERAL PUBLIC LENDING INSTITUTIONS ARE LIMITED TO THE AMOUNT LOANED IN THE SAME PERIOD LAST YEAR.

8. SAVINGS ARE TO BE ENCOURAGED. INTEREST PAYMENTS ARE TO BE INCREASED, AND CERTAIN TAX ADVANTAGES EXTENDED. IN PARTICULAR THE TAX DEFERRAL FOR INCOME UNDER PROFIT SHARING PLANS IS EXTENDED BEYOND THE PRESENT FIVE YEAR LIMIT.

9. IMPORT QUOTAS FOR NON-MARKET ECONOMIES WILL BE INCREASED 50 PERCENT.

10. THE FRENCH ELECTRIC AND GAS UTILITIES WILL NO LONGER HAVE THEIR CAPITAL INVESTMENTS CONTROLLED FOR ECONOMIC REASONS.

11. INDUSTRY BORROWING TO FINANCE ENERGY SAVING INVESTMENTS WILL BE REMOVED FROM THE BANK CREDIT CEILINGS. ELIGIBLE FORMS OF INVESTMENT WILL BE ANNOUNCED.

12. PRESENT PRICE CONTROL SYSTEM IS TO BE MORE STRICTLY APPLIED AND ENFORCED. SERVICES PRICES TO BE FROZEN UNTIL MARCH 31, UNCLASSIFIED

UNCLASSIFIED

PAGE 03 PARIS 31235 061752Z

1974. THE ADDITIONAL CHARGES MADE FOR INDUSTRIAL AND COMMERCIAL BUILDING RENTS ARE TO BE INVESTIGATED.

13. PUBLIC UTILITY CHARGES (EXCEPT ENERGY RELATED) FROZEN THROUGH MARCH 1974.

14. RENTS ARE FROZEN UNTIL JULY 1974.

15. THE FINANCE MINISTER ANNOUNCED NO WAGE OR INCOMES POLICY BUT ASKED BUSINESS AND LABOR TO SHOW SOME RESTRAINT. HE ALSO ASKED THAT INCREASES IN DIVIDEND PAYMENTS BE LIMITED TO 5 PERCENT OR IF DECIDED UPON, THAT THEY NOT BE DISTRIBUTED UNTIL 1975 OR SECOND HALF 1974 AT THE EARLIEST.

16. COMMENT: LATEST MEASURES CONTINUE TO REFLECT GREATER GOF CONCERN WITH ECONOMIC SLOWDOWN THAN WITH PRICES. ANNOUNCED FISCAL MEASURES ARE SLIGHT, AND MOSTLY ADD TO STIMULATION DURING SECOND HALF 1974 WHAT THEY SUBTRACT FROM THE FIRST. CREDIT RESTRICTIONS ARE A CONTINUATION OF PRESENT POLICIES. GOF IS CONTINUING TO TAKE MINIMUM RESTRICTIVE MEASURES POSSIBLE IN THE FACE OF STRONG PUBLIC DISCONTENT OVER INFLATION (EXPRESSED BY TODAY'S GENERAL STRIKE).IRWIN

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